

Public Agenda Item #13b

Review, Discussion and Consideration of the Texas Employees Group Benefits Program:

Plan Design for the High Deductible Health Plan for Fiscal Year 2017

February 23, 2016

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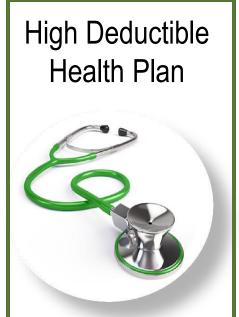


Plan Design for the High Deductible Health Plan for FY 2017

Health Savings Accounts

Background



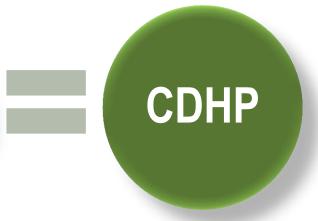




Health Savings
Account



Consumer Directed Health Plan



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Background



- HB 966, passed by the 84th Texas Legislator, requries the Employees Retirement System of Texas to establish a Consumer Directed Health Plan (CDHP) within the Group Benefits Program. The CDHP is to include a <u>High Deductible Health Plan</u> (HDHP) and a Health Savings Account (HSA).
- HB 966 contains an important provision:
 - The Employees Retirement System of Texas shall develop and implement the health savings account program under Chapter 1551, Insurance Code, as amended by this Act, in a manner that is as revenue neutral as possible.



2016 Minimum Requirements set by the IRS

To achieve beneficial tax status for the HSA, the HDHP must meet the requirements of Section 223 of the Internal Revenue Code (IRC).

• The deductible must be at least \$1,300 for single coverage and \$2,600 for family coverage;

 The out-of-pocket expense maximum for in-network benefits (which includes the deductible) can be no greater than \$6,550 single and \$13,100 family;



2016 Minimum Requirements set by the IRS

• 2016 contribution maximums are \$3,350 for single coverage and \$6,750 for family coverage. An additional catch-up contribution of \$1,000 is allowed for individuals age 55-64;

 Contributions must stop once an individual is eligible in any type of Medicare coverage.

Potential Design(s)



- IRS plan limits apply only to <u>in-network</u> benefits.
- The <u>in-network</u> deductible will be set for the individual and 2 x for family coverage; the <u>out-of-network</u> deductibles are often or can be 2 x the <u>in-network</u> for the individual and family.

Example: In-network deductible is \$2,100 / \$4,200
Out-of-network deductible is \$4,200 / \$8,400

• Upon satisfaction of the deductible, benefits could be paid at 80% <u>in-network</u> and 60% <u>out-of-network</u> until the member reaches the applicable out-of-pocket maximum.

Potential Design(s)



- The <u>in-network</u> out-of-pocket maximums (which include the deductibles) will be established at and adjusted annually to meet the maximum levels allowed under the IRC.
- The difference between <u>in-network</u> out-of-pocket maximum and <u>out-of-network</u> out-of-pocket maximum will be doubled.

Example: In-network out-of-pocket maximum is \$6,550 / \$13,100

Out-of-network out-of-pocket maximum is \$13,100 / \$26,200

Potential Design(s)



• Deductibles and out-of-pocket maximum accumulations do not usually cross apply between <u>in-network</u> and <u>out-of-network</u> services.

 The plan could operate as a network PPO without PCP referral requirement.

Assumptions for Pricing Model



 3% of the current HealthSelect members shift to the CDHP, with such enrollment equally impacting each coverage tier, i.e. member only, member + spouse, etc.

- Note: 3% was an estimate provided by Milliman in its 2008 study.
- The state contribution for the CDHP will be 100% of the cost of member coverage and 50% of the cost of dependent coverage, per statute.

Assumptions for Pricing Model



 Some of the reduction in claim cost generated by the HDHP design will be placed in a member's HSA.

- Some of the reduction in claim cost generated by the HDHP will be passed on to the member in the form of a lower dependent premium.
- The CDHP design must account for any adverse selection which will occur
 as a result of the availability of the optional health plan.

HDHP

Potential Design(s)



Sample Plans	In-Network Deductible Individual / Family	Monthly Employer Deposit to HSA Individual / Family	% Reduction in Dependent Contribution Compared to HealthSelect	Example of Impact on Dependent Spouse Contribution H/S in FY 2017 = \$353.34
Option 1	\$1,300 / \$2,600	\$25 / \$50	10%	\$318.00
Option 2	\$2,100 / \$4,200	\$36 / \$72	20%	\$280.67
Option 3	\$2,100 / \$4,200	\$45 / \$90	10%	\$318.00
Option 4	\$2,100 / \$4,200	\$55 / \$110	0%	\$353.34
Option 5	\$2,600 / \$5,200	\$54 / \$108	10%	\$318.00
Option 6	\$3,250 / \$6,500	\$63 / \$126	10%	\$318.00

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HDHP



Recommended Plan Design - Beginning September 1, 2016

Recommended Plan	In-Network Deductible Individual / Family	Monthly Employer Deposit to HSA Individual / Family	% Reduction in Dependent Contribution Compared to HealthSelect	Example of Impact on Dependent Spouse Contribution H/S in FY 2017 = \$353.34
Option 3	\$2,100 / \$4,200	\$45 / \$90	10%	\$318.00

- Plan will operate as a network PPO without PCP referral requirement
- <u>In-network</u> deductible is \$2,100 / \$4,200
- Out-of-network deductible is \$4,200 / \$8,400
- In-network out-of-pocket maximum is \$6,550 / \$13,100
- Out-of-network out-of-pocket maximum is \$13,100 / \$26,200
- Preventive services are covered at 100% not subject to the deductible

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Questions?